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**HALIFAX DEVELOPMENTS**  
LIMITED



# **ANNUAL REPORT**

**DECEMBER 31st, 1969**



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## President's Report to the Shareholders:

On behalf of the Board of Directors I am pleased to present the Annual Report for the year ended December 31, 1969.

The statement of income for the year ended December 31st represents the income from Stage 1, the Trade Mart building of Scotia Square. This building continues to be almost 100% leased and produces for the Company an adequate return on the funds invested. The cash flow from this building at \$146,011 was higher than anticipated. During the next year or two there are several tenancies wherein the lease will expire and it is expected that these leases will be renewed at a rate which will at least maintain the company's cash flow and cover additional expenses.

During the year 1969 construction activity proceeded at a rate of \$1,125,000 per month. Stages 2 and 3, representing approximately 325,000 square feet of retail space, parking for 1600 cars and 200,000 square feet of rentable office space, were completed early in 1970. Stage 5, a 193 unit apartment building, was commenced in September and is expected to be complete in June of 1970. Stage 6, an additional 186,000 square feet of office space which sits on top of Stage 2, was started in October 1969 and will be complete by November, 1970. It is expected that during the fiscal year 1970, Stage 4, a 280 room convention hotel, will be started as well as Stage 7, another apartment building containing approximately 160 units.)

The Premier of Nova Scotia, the Honourable G. I. Smith, officially opened Stage 2 retail shopping mall on October 15, 1969. Due to a two week strike in September only 29 stores were officially opened at this time. Between October 15 and December 31st an additional 30 stores opened in the complex. As of the end of March, 1970 the retail complex was occupied and leased to the extent of 82%. The sales volume being generated by the Merchants Association is better than expected and the Company anticipates the receipt of substantial percentage rents in excess of our base rents during the 1970 fiscal year.

On February 1, 1970, Stage 3 of Scotia Square, being the Duke Street office building, opened and by the end of March this building of 200,000 square feet was occupied to the extent of 92% and leased to the extent of 96%. The operation of both of these segments of Scotia Square will be reflected in operating results for the fiscal 1970 year. While it is anticipated that revenue during 1970 will increase very substantially, it is not anticipated that cash flow will materially improve due to the high start up costs on Stages 2 and 3. By 1971, however, we should show a very substantial improvement in cash flow. As of March 31, 1970, the Stage 5 apartment building which will open in June of this year has 64 of the 193 units reserved by prospective tenants. Stage 6, the Barrington Street office building, was leased to the extent of approximately 55%.

During the fiscal year 1969 long-term financing in the amount of \$5,000,000 was obtained from Metropolitan Life Assurance Company and the Equitable Life Society of the United States of America for the Barrington Street office building, Stage 6. Interim financing was obtained from a Canadian chartered bank. During 1969 mortgage financing for the Stage 5 apartment building was obtained from the Bank of Nova Scotia. Additional \$2,000,000 working capital was obtained from a Canadian chartered bank early in 1970. All construction contracts have been completed or are proceeding within budgeted allowances and it is expected that this will continue in the future.

On March 31, 1970, the Company drew down its long-term financing on Stages 2 and 3 totalling \$12,000,000. At this time we were also able to draw down the remaining funds from the public issue of general mortgage bonds held in a project fund by the trustee for this bond issue. In total, the Company received \$14,000,000, which sum was applied against interim bank loans.



The progress made in 1969 has established Scotia Square as an unqualified success and the nucleus of change in Halifax. The coming year will serve to reinforce this concept as our project continues to reshape the environment of one of Canada's oldest cities. Since all stages of the complex are interconnected, the concept of complimentary convenience for tenants will grow and further reinforce the city-within-a-city concept of Scotia Square.

The high cost of money and the threat of labour unrest are the two most unsettling factors in the future of Scotia Square at the beginning of 1970. At the present time these factors have not substantially affected the Company's program but if these conditions continue beyond 1970 it could slow up the Company's future program.

I would like to take this opportunity to express my appreciation for the co-operation and loyalty shown by my fellow directors and the management and employees of Halifax Developments Limited in making this a successful year. We would also like to congratulate our Developers, Hardman, Bryson & Associates Limited, our Contractor, Robert McAlpine Limited, our Architects, Allward & Gouinlock and our Mechanical & Electrical Engineers, R. J. Black & Associates, for a job well done.

Respectfully submitted,

CHARLES E. MacCULLOCH  
President

# HALIFAX DEVELOPMENTS LIMITED

## Statement of Income for the Year Ended

December 31st, 1969

Rental income .....		\$ 471,578 ✓
Operating expenses .....	\$ 236,702	
Less: Recovered from tenants .....	123,394	
	<hr/>	113,308
Interest on long-term debt .....	212,259	325,567
		<hr/>
		146,011 ✓
Depreciation .....	\$ 86,272	
Amortization of bond discount and expense .....	6,960	93,232
	<hr/>	<hr/>
Profit for the year .....		\$ 52,779 ✓

NOTE: As a result of the carry-forward (for tax purposes) of the loss sustained in the previous year, a provision is not required for income taxes of \$20,000 otherwise exigible on the profit for the year ended December 31, 1969.

## Statement of Retained Earnings for the Year Ended

December 31st, 1969

Deficit, December 31, 1968 .....	\$ (28,114)
Profit for the year ended December 31, 1969 .....	<hr/>
	52,779 ✓
Retained earnings, December 31, 1969 .....	<hr/>
	\$ 24,665 ✓



# HALIFAX DEVELOPMENTS LIMITED

## BALANCE SHEET

### Assets

#### Current assets:

Cash .....	\$	40,133	
Accounts and accruals receivable.....		169,250	
Deposit with trustee (Note 3).....		2,000,000	
Prepaid expenses.....		4,620	\$ 2,214,003

#### Other assets:

Performance deposit.....			150,000
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#### Fixed assets, at cost:

Land .....	\$	335,983	
Building and equipment.....	\$3,281,858		
Less: Accumulated depreciation.....	142,851	3,139,007	
Properties acquired for future development.....		599,318	
		4,074,308	
Construction in progress (Note 1).....		21,178,923	25,253,231

#### Deferred charges:

Unamortized bond discount and expense.....	\$	810,854	
Underwriting commission and expenses in connection with issue of capital stock.....		171,122	981,976
			<u>\$ 28,599,210</u>

#### APPROVED ON BEHALF OF THE BOARD:

C. E. MacCulloch, Director

A. R. Harrington, Director

### AUDITOR

To the Shareholders of  
Halifax Developments Limited:

We have examined the balance sheet of Halifax Developments Limited as at December 31, 1969 and the statements of income, retained earnings and cash flow for the year then ended, and have obtained all the information necessary for our examination. Our examination included a general review of the accounting records and other supporting evidence as we considered appropriate.

In our opinion, and according to the best of our knowledge and belief, the balance sheet and statements of income, retained earnings and cash flow as shown by the books of the company, so as to exhibit a true and correct view of the financial position of the company as at December 31, 1969 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles applicable in Canada, are consistent with that of the preceding year.

Halifax, March 12, 1970

# DEVELOPMENTS LIMITED

DECEMBER 31st, 1969

## Liabilities

### Current liabilities:

Construction bank loan (U.S. \$12,493,500).....	\$ 13,446,295	
Property taxes .....	283,127	
Accounts payable and accrued liabilities.....	335,296	
Construction accounts payable (including \$2,388,868 holdbacks).....	2,920,289	
Long-term debt due within one year.....	99,084	\$ 17,084,091

Long-term debt (Note 4) — ..... 8,375,444

### Shareholders' equity:

#### Capital stock (Note 5) —

Authorized — 4,000,000 common shares without nominal or  
par value

Issued — 1,975,010 shares..... \$ 3,115,010

Retained earnings, per statement attached..... 24,665 3,139,675

\$ 28,599,210

## REPORT

ax Developments Limited as at December 31,  
gs and source and application of funds for the  
on and explanations we have required. Our ex-  
ing procedures and such tests of accounting  
lered necessary in the circumstances.

our information and the explanations given to  
se financial statements are properly drawn up  
of the affairs of the company as at December  
ource and application of its funds for the year  
accounting principles applied on a basis consist-

PRICE WATERHOUSE & CO,  
Chartered Accountants.



# HALIFAX DEVELOPMENTS LIMITED

## Notes to Financial Statements December 31st, 1969

### *Note 1 — Construction in Progress:*

The company is constructing and developing a complex known as Scotia Square comprising wholesale and retail outlets, office and apartment buildings and an hotel to be located on approximately 19 acres of land in the City of Halifax. A construction programme has been prepared by the company dividing the entire project into ten stages extending over a period from October 15, 1966 to September 30, 1973. The cost of the entire project is currently estimated to be approximately \$50,000,000 including land, consultants' fees, preliminary expenses and other costs and including interest on borrowed money during the preliminary and construction periods.

Construction of Stage I of the project (designated the Trade Mart) has been completed and this Stage was placed on an operating basis from May 1, 1968. Construction has commenced on Stages II, III, V and VI of the project (designated, respectively, the Retail Area, and Garage Area, the Duke Street Office Tower, the Centre Apartment Tower and the Barrington Street Office Tower) and the cost to complete the construction of these stages is estimated at \$8,413,000. The company has obtained commitments from lending institutions for first mortgage loans aggregating \$19,830,000 to be advanced upon completion of Stages II, III, V and VI and fulfilment of certain conditions.

As the project is still in the development stage, comparative figures for the previous year have not been included in the financial statements.

### *Note 2 — Agreement with City of Halifax and a Federal Government Agency:*

The company has signed an agreement dated August 31, 1966 with the City of Halifax and a Federal Government Agency under which the company will be granted individual leases, with purchase options, for periods of ninety-nine years on the lands required for each stage as construction commences on the various stages. Pursuant to this agreement, the company has leased land required for Stages II and III at an annual rental of \$52,095, with an option to purchase at a price of \$1,035,311, and land required for Stage V at an annual rental of \$5,307, with an option to purchase at a price of \$110,740. An option to purchase Stage I land was exercised in 1968.

### *Note 3 — Deposit with Trustee:*

Pursuant to the provisions of the Project Fund for the holders of the 8% General Mortgage Sinking Fund Bonds, Series A, the Trustee has placed the \$2,000,000 comprising the Project Fund on deposit with a bank. The Project Fund will be released to the Company upon fulfilment of certain conditions regarding additional financing and rental achievement in respect of Stages I, II and III.



# HALIFAX DEVELOPMENTS LIMITED

## Notes to Financial Statements December 31st, 1969

### Note 4 — Long-Term Debt:

#### Authorized —

8½% First mortgage loan repayable in level monthly instalments of \$17,533 principal and interest to July 1, 1993 .....	\$ 2,250,000
8% General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993 Sinking fund payments to commence in 1973 .....	3,000,000
8% General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994. Sinking fund payments to commence in 1974 .....	1,000,000
8% Convertible Subordinated Income Debentures, Series B, due August 16, 1993. Convertible, at the holder's option, at the rate of 400 common shares for each \$1,000 principal amount up to May 16, 1978 and thereafter up to August 16, 1993 at the rate of 285 common shares for each \$1,000 principal amount .....	2,000,000
8% Subordinated Income Debentures, Series C, due August 16, 1993 .....	600,000
	<u>\$ 8,850,000</u>

#### Issued and Outstanding —

8½% First mortgage loan due 1993 .....	\$ 2,208,294
8% General Mortgage Sinking Fund Bonds, Series A, due 1993 .....	3,000,000
8% General Mortgage Sinking Fund Bonds, Series B, due 1994 .....	1,000,000
8% Convertible Subordinated Income Debentures, Series B, due 1993 .....	1,337,500
8% Subordinated Income Debentures, Series C, due 1993 .....	600,000
	<u>8,145,794</u>
Mortgages on properties acquired for future development .....	278,734
Public Service Commission, due June 1, 1970 .....	50,000
	<u>8,474,528</u>
Deduct: Payments on principal due within one year, included in current liabilities .....	99,084
	<u>\$ 8,375,444</u>

Interest on the subordinated income debentures is not payable on the due date of May 16 each year unless, among other restrictions, the earnings for the previous fiscal period are available to meet such interest. Accordingly, interest of \$153,966 accrued to December 31, 1968 on the subordinated income debentures has not been included in the financial statements for the year ended December 31, 1969.

### Note 5 — Capital Stock:

During the year ended December 31, 1969 an additional 100,000 common shares were issued for cash consideration of \$100,000 in conjunction with the sale of 8% General Mortgage Sinking Fund Bonds, Series B, in accordance with letter-agreements entered into during June 1968 between the company and subscribers for the Series B bonds.

The company has granted the following options for the purchase of common shares:—

Number of shares	Exercise price per share	Expiry date
45,000	\$1.00	December 31, 1972
25,000	1.00	March 31, 1973
11,250	2.50	December 31, 1972
30,000	2.90	October 28, 1973
<u>111,250</u>		

A further 800,000 common shares have been reserved for the conversion of the 8% Convertible Subordinated Income Debentures, Series B.



# HALIFAX DEVELOPMENTS LIMITED

## Statement of Source and Application of Funds

for the Year Ended December 31st, 1969

### Source of funds —

From increase in construction bank loan.....	\$ 11,475,937
From sale of \$1,000,000 par value of 8% General Mortgage Sinking Fund Bonds, Series B, due 1994, less discount and expense.....	840,000
From issue of common shares in conjunction with sale of 8% General Mortgage Sinking Fund Bonds, Series B.....	100,000
From sale of 8% Convertible Subordinated Income Debentures, Series B, due 1993.....	1,337,500
From mortgages on properties acquired for future development.....	222,083
From operations of Trade Mart (Stage I) for the year ended December 31, 1969, before depreciation of \$86,272 and \$6,960 amortization of bond discount and expense.....	146,011
	<u>\$ 14,121,531</u>

### Application of funds —

Expenditures on buildings and equipment, including construction in process	\$ 15,274,616
Purchase of properties acquired for future development.....	334,256
Principal repayments on 8% First Mortgage loan due 1993.....	29,931
Principal repayments on mortgages on properties acquired for future development .....	33,963
Increase in amount transferred to current liabilities representing portion of long-term debt due within one year.....	36,187
Expenses re issue of capital stock .....	106
	<u>\$ 15,709,059</u>
Excess of funds expended over funds provided.....	<u>\$ 1,587,528</u>

### Represented by decrease in working capital —

Net current assets at December 31, 1968 — excluding construction bank loan .....	\$ 163,735
Net current liabilities at December 31, 1969 — excluding construction bank loan .....	1,423,793
	<u>\$ 1,587,528</u>

NOTE: Subsequent to December 31, 1969 a further \$662,500 was received from the sale of 8% Convertible Subordinated Income Debentures, Series B, due 1993.











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# Halifax Developments Limited

## UNAUDITED STATEMENT OF OPERATING INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1969

Rental Income		\$ 223,457
Operating Expenses	\$ 114,391	
Less: Recovered from Tenants	54,322	
	<hr/>	
	60,069	
Interest on long-term debt	106,116	166,185
	<hr/>	
Cash Generated from Operations		\$ 57,272
Depreciation	\$ 43,838	
Amortization of Bond Discount & Expense	3,480	47,318
	<hr/>	
Net Profit		<u>\$ 9,954</u>

The Statement of Operating Income reflects only the operation of Stage 1, the Trade Mart of Scotia Square. The Trade Mart commenced operations on May 1, 1968 and as a consequence there are no comparable operating results for a similar period last year.

Due to the loss carried forward from fiscal 1968 operations, no income taxes are payable on this profit.

## UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1969

### Source of Funds:

Operations		\$ 9,954
Add back charges not requiring outlay of funds		
Depreciation	\$ 43,838	
Amortization of Bond Discount & Expense	3,480	47,318
	<hr/>	
		57,272

### Proceeds From:

Sale of shares	55,000
Issue of long-term debt	1,592,500
Sale of fixed assets	32,736
	<hr/>
	\$1,737,508

### Application of Funds:

Payments on long-term debt	\$ 33,636
Purchase of fixed assets	217,430
Increase in construction in progress	8,391,102
Sundry non-current expenditure	585
	<hr/>
	8,642,753
Decrease in working capital	6,905,245
Working capital deficiency beginning of period	1,806,623
Working capital deficiency end of period	<u>\$8,711,868 *</u>

\*There is presently included in current liabilities an amount of \$7,410,000. for interim financing provided by a chartered bank. This loan will be converted to long-term debt upon completion of Construction.